

EXECUTIVE SUMMARY

Idaho's economic outlook is relatively unchanged from the one presented in the previous *Idaho Economic Forecast*. In January 2004, it was predicted that Idaho's economy had finally turned the corner in 2003 toward stronger growth. This is still true. However, recent historical data and changes to the national forecast suggest the former projections may have been slightly optimistic, so the current Idaho economic outlook has been lowered accordingly. In the current forecast, nonfarm employment growth rates in 2004 and 2005 fail to match their previously predicted paces. Specifically, instead of averaging 1.6% in 2004 and 2005, Idaho nonfarm employment growth should average 1.4% over those two years. As a result, Idaho nonfarm employment is expected to be 587,844 in 2005; or about 3,900 below the previous prediction. Beginning in 2006, the gap between the two forecasts narrows. This occurs because over the last two years of the forecast, Idaho's nonfarm employment grows faster than in the previous forecast. The pace of annual job growth is expected to accelerate from 1.4% in 2004 and 2005 to 2.1% in 2006 and 2007. This is slightly faster than the 1.8% average forecast for these two years in January 2004. Thanks to this faster growth, employment makes up most of the ground lost in the previous years. Idaho nominal personal income displays a similar pattern as nonfarm employment. Namely, it grows slightly slower in 2004 and 2005 than its predecessor, but advances faster in 2006 and 2007. As a result, Idaho nominal employment is \$43.5 billion in 2007, compared to the previous estimate of \$43.6 billion. To summarize, Idaho is still expected to achieve the economic milestones set in the previous forecast, but it will take slightly longer to reach them.

A look at both the previous and current national forecasts reveals several similarities. Most notably, both show the economy enjoying healthy growth over the forecast period. In fact, changes to most of the aggregate economic measures since November suggest the U.S. economic outlook has improved slightly. This can be seen in the GDP forecast. In the November 2003 forecast, it was predicted real GDP would advance an average of 3.6% annually over the 2003-2007 period. The current forecast for real output is more bullish than the previous one; it averages 3.8% over the forecast period. This improvement reflects slightly stronger nominal GDP growth (5.5% versus 5.4%) and lower inflation (1.7% versus 1.8%). These numbers tell most of the story, but not the whole story. Nonfarm employment remains a concern. Indeed, Global Insight has lowered its expectations for job growth in the current forecast compared to the previous one. Last November U.S. nonfarm employment was anticipated to advance 1.3% annually over the forecast period. The most recent Department of Labor report has raised hopes the job recovery is under way. Nonfarm payroll employment grew by 308,000 in March 2004. Also noteworthy, was the original estimates for March and February were revised up a combined 87,000 jobs. In summary, the overall economy is expected to perform above average over the forecast period. Under most circumstances current conditions would be close to perfect. Output is high, while inflation is low. But concerns over employment have cast a shadow over the economy. But these concerns need to be kept in perspective. We remain confident the U.S. economy is once again generating jobs.

IDAHO ECONOMIC FORECAST

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APRIL 2004

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP (BILLIONS)											
Current \$	8,304	8,747	9,268	9,817	10,101	10,481	10,985	11,683	12,282	12,945	13,678
% Ch	6.2%	5.3%	6.0%	5.9%	2.9%	3.8%	4.8%	6.3%	5.1%	5.4%	5.7%
2000 Chain-Weighted	8,704	9,067	9,470	9,817	9,867	10,083	10,398	10,887	11,277	11,699	12,119
% Ch	4.5%	4.2%	4.4%	3.7%	0.5%	2.2%	3.1%	4.7%	3.6%	3.7%	3.6%
PERSONAL INCOME - CURR \$											
Idaho (Millions)	25,227	27,066	28,902	31,177	32,363	33,585	35,209	36,779	38,618	40,980	43,503
% Ch	4.4%	7.3%	6.8%	7.9%	3.8%	3.8%	4.8%	4.5%	5.0%	6.1%	6.2%
Idaho Nonfarm (Millions)	24,557	26,149	27,872	30,382	31,400	32,572	33,942	35,615	37,421	39,755	42,328
% Ch	5.4%	6.5%	6.6%	9.0%	3.3%	3.7%	4.2%	4.9%	5.1%	6.2%	6.5%
U.S. (Billions)	6,915	7,423	7,802	8,430	8,713	8,910	9,192	9,587	10,099	10,711	11,374
% Ch	6.1%	7.3%	5.1%	8.0%	3.4%	2.3%	3.2%	4.3%	5.3%	6.1%	6.2%
PERSONAL INCOME - 2000 \$											
Idaho (Millions)	26,519	28,199	29,617	31,175	31,716	32,471	33,435	34,415	35,620	37,139	38,557
% Ch	2.6%	6.3%	5.0%	5.3%	1.7%	2.4%	3.0%	2.9%	3.5%	4.3%	3.8%
Idaho Nonfarm (Millions)	25,815	27,244	28,562	30,381	30,772	31,491	32,231	33,326	34,515	36,029	37,516
% Ch	3.7%	5.5%	4.8%	6.4%	1.3%	2.3%	2.4%	3.4%	3.6%	4.4%	4.1%
U.S. (Billions)	7,269	7,734	7,996	8,429	8,539	8,615	8,729	8,971	9,315	9,707	10,081
% Ch	4.3%	6.4%	3.4%	5.4%	1.3%	0.9%	1.3%	2.8%	3.8%	4.2%	3.8%
HOUSING STARTS											
Idaho	8,863	10,111	10,340	11,524	12,239	13,170	16,181	14,480	13,906	13,483	13,071
% Ch	-3.9%	14.1%	2.3%	11.4%	6.2%	7.6%	22.9%	-10.5%	-4.0%	-3.0%	-3.1%
U.S. (Millions)	1,475	1,621	1,647	1,573	1,601	1,711	1,848	1,840	1,721	1,686	1,713
% Ch	0.4%	9.9%	1.6%	-4.5%	1.8%	6.9%	8.0%	-0.4%	-6.5%	-2.0%	1.6%
TOTAL NONFARM EMPLOYMENT											
Idaho	507,423	520,476	538,098	558,573	568,015	568,008	571,527	578,455	587,844	599,856	613,312
% Ch	3.4%	2.6%	3.4%	3.8%	1.7%	0.0%	0.6%	1.2%	1.6%	2.0%	2.2%
U.S. (Thousands)	122,767	125,924	128,992	131,791	131,837	130,343	129,937	130,932	133,550	135,968	138,204
% Ch	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	0.8%	2.0%	1.8%	1.6%
SELECTED INTEREST RATES											
Federal Funds	5.5%	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.1%	2.4%	3.0%	3.2%
Bank Prime	8.4%	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.1%	5.4%	6.0%	6.2%
Existing Home Mortgage	7.7%	7.1%	7.3%	8.0%	7.0%	6.5%	5.7%	6.1%	6.5%	6.7%	6.8%
INFLATION											
GDP Price Deflator	1.7%	1.1%	1.4%	2.2%	2.4%	1.5%	1.7%	1.6%	1.5%	1.6%	2.0%
Personal Cons Deflator	1.7%	0.9%	1.7%	2.5%	2.0%	1.4%	1.8%	1.5%	1.4%	1.8%	2.3%
Consumer Price Index	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	1.7%	1.3%	1.6%	2.1%

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	2003				2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,736	10,847	11,107	11,252	11,451	11,608	11,760	11,912	12,072	12,216	12,350	12,490
% Ch	4.3%	4.2%	10.0%	5.3%	7.2%	5.6%	5.4%	5.3%	5.5%	4.9%	4.4%	4.6%
2000 Chain-Weighted	10,210	10,288	10,493	10,599	10,724	10,839	10,940	11,044	11,143	11,236	11,320	11,408
% Ch	2.0%	3.1%	8.2%	4.1%	4.8%	4.4%	3.8%	3.9%	3.6%	3.4%	3.0%	3.1%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	34,666	34,823	35,586	35,759	36,148	36,587	36,972	37,409	37,902	38,382	38,845	39,344
% Ch	6.4%	1.8%	9.1%	2.0%	4.4%	4.9%	4.3%	4.8%	5.4%	5.2%	4.9%	5.2%
Idaho Nonfarm (Millions)	33,389	33,600	34,209	34,568	34,975	35,417	35,827	36,242	36,709	37,173	37,641	38,160
% Ch	3.7%	2.6%	7.4%	4.3%	4.8%	5.2%	4.7%	4.7%	5.3%	5.2%	5.1%	5.6%
U.S. (Billions)	9,049	9,146	9,243	9,329	9,410	9,526	9,644	9,767	9,905	10,035	10,161	10,296
% Ch	3.0%	4.4%	4.3%	3.8%	3.5%	5.1%	5.0%	5.2%	5.8%	5.4%	5.1%	5.4%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	33,038	33,144	33,724	33,832	33,967	34,294	34,553	34,847	35,167	35,475	35,765	36,073
% Ch	3.5%	1.3%	7.2%	1.3%	1.6%	3.9%	3.0%	3.5%	3.7%	3.5%	3.3%	3.5%
Idaho Nonfarm (Millions)	31,821	31,980	32,419	32,706	32,865	33,198	33,483	33,760	34,061	34,358	34,657	34,987
% Ch	0.8%	2.0%	5.6%	3.6%	2.0%	4.1%	3.5%	3.4%	3.6%	3.5%	3.5%	3.9%
U.S. (Billions)	8,624	8,705	8,759	8,827	8,842	8,929	9,013	9,098	9,190	9,275	9,355	9,439
% Ch	0.2%	3.8%	2.5%	3.1%	0.7%	4.0%	3.8%	3.8%	4.1%	3.7%	3.5%	3.7%
HOUSING STARTS												
Idaho	15,696	14,814	16,744	17,470	14,979	14,545	14,374	14,023	14,054	13,906	13,841	13,825
% Ch	-7.1%	-20.6%	63.2%	18.5%	-46.0%	-11.1%	-4.6%	-9.4%	0.9%	-4.2%	-1.9%	-0.5%
U.S. (Millions)	1,737	1,739	1,884	2,033	1,931	1,858	1,807	1,763	1,744	1,728	1,712	1,700
% Ch	-1.4%	0.5%	37.9%	35.5%	-18.6%	-14.2%	-10.6%	-9.4%	-4.3%	-3.5%	-3.6%	-2.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	572,498	570,790	571,022	571,798	574,847	577,382	579,573	582,020	584,250	586,556	588,957	591,613
% Ch	0.3%	-1.2%	0.2%	0.5%	2.1%	1.8%	1.5%	1.7%	1.5%	1.6%	1.6%	1.8%
U.S. (Thousands)	130,047	129,878	129,820	130,002	130,179	130,531	131,146	131,872	132,579	133,310	133,880	134,432
% Ch	-0.6%	-0.5%	-0.2%	0.6%	0.5%	1.1%	1.9%	2.2%	2.2%	2.2%	1.7%	1.7%
SELECTED INTEREST RATES												
Federal Funds	1.3%	1.2%	1.0%	1.0%	1.0%	1.0%	1.1%	1.4%	2.0%	2.3%	2.5%	2.8%
Bank Prime	4.3%	4.2%	4.0%	4.0%	4.0%	4.0%	4.1%	4.4%	5.0%	5.3%	5.5%	5.8%
Existing Home Mortgage	5.9%	5.6%	5.7%	5.8%	5.8%	6.0%	6.1%	6.3%	6.4%	6.5%	6.6%	6.6%
INFLATION												
GDP Price Deflator	2.3%	1.1%	1.6%	1.2%	2.2%	1.2%	1.5%	1.3%	1.8%	1.5%	1.4%	1.5%
Personal Cons Deflator	2.8%	0.5%	1.8%	0.7%	2.8%	1.0%	1.2%	1.3%	1.6%	1.6%	1.6%	1.7%
Consumer Price Index	3.9%	0.6%	2.3%	0.7%	3.4%	0.9%	1.0%	1.1%	1.5%	1.4%	1.4%	1.5%